

Message Text

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ACTION OES-04

INFO OCT-01 EA-06 ISO-00 FEA-01 ACDA-05 CIAE-00 INR-05

IO-10 L-02 NSAE-00 NSC-05 RSC-01 TRSE-00 OMB-01 ABF-01

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P R 160055Z DEC 74

FM AMEMBASSY TOKYO

TO AEC GERMANTOWN

SECSTATE WAAHDC PRIORITY 6737

C O N F I D E N T I A L TOKYO 16302

EO 11652: GDS

TAGS: TECH JA

SUBJ: ABCC

REF: A. HELFRICH/KRATZER-HENOCH TELECONS DEC 12, 1974.

B. TOKYO 15621; C. HELFRICH/KRATZER TWX 061920Z DEC 74

1. CONFIRMING HELFRICH/KRATZER TELECON, ARRANGEMENT TO WHICH JAPANESE HAVE AGREED FOR ABCC FINANCING MAY BE DESCRIBED AS FOLLOWS:

A) TOTAL ABCC OPERATING COST FOR JFY 1975 IS \$8.2 MILLION DOLLARS. THEREFORE, US AND JAPAN SHARE OF THIS, IF EQUALLY SHARED, WOULD BE \$4.1 MILLION.

B) JAPAN WILL PAY IN JFY 1975 (4.1 MILLION PLUS \$600,000 OR 4.7 MILLION DOLLARS. US PAYMENT WILL, THEREFORE, BE REDUCED BY \$600,000 FROM \$4.1 MILLION TO \$3.5 MILLION. DIFFERENCE BETWEEN US AND JAPANESE PAYMENTS IS \$1.2 MILLION, EQUIVALENT TO VALUE OF US INITIAL CONTRIBUTION (BUILDING).

C) IN ORDER TO ENSURE THAT THIS JAPANESE CONTRIBUTION MEETS OBJECTIVE OF ALLOWING US TO COVER DEFICIT IN US FY 1975 COSTS, JAPANESE UNDERSTAND THAT THEIR CONTRIBUTION MUST BE MADE AVAILABLE DURING FIRST QUARTER OF JFY 1975; I.E. BETWEEN
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APRIL 1 AND JUNE 30, 1975.

D) THEY HAVE ALSO BEEN ADVISED THAT, IF NECESSARY, FUNDING OF US RETIREMENT RESERVE ON APRIL 1, 1975 MIGHT NOT BE AT FULL. AMOUNT OF LIABILITY AS OF THAT DATE,BUT THAT DEFICIENCY WOULD BE REPLACED WHEN JAPANESE FUNDS BECOME AVAILABLE.

2. EQUIVALENCE OF THIS ARRANGEMENT WITH PREVIOUS PLAN UNDER WHICH JAPAN WOULD MATCH US INITIAL CONTRIBUTION THROUGH ANNUAL LAND AND EQUIPMENT RENTALS OVER SIX-YEAR PEROD IS SHOWN BY FOLLOWING EXAMPLE:

OLD (MILLIONS OF DOLLARS)			
CUM. DIFF.			
US	JAPAN		US - J

INITIAL CONTRIBUTION			
(BUILDING): 1.2	--		1.2
OPERATING COST:			
1975	4.0	4.2	1.0
1976	4.0	4.2	0.8
1977	4.0	4.2	0.6
1978	4.0	4.2	0.4
1979	4.0	4.2	0.2
1980	4.0	4.2	0.0
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TOTAL	25.2	25.2	0.0

NEW (MILLIONS OF DOLLARS)			
CUM. DIFF.			
US	JAPAN		US - J.

INITIAL CONTRIBUTION
(BLDG): 1.2 -- 1.2

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OPERATING COST:

1975	3.5	4.7	0
1976	4.1	4.1	0
1977	4.1	4.1	0
1978	4.1	4.1	0
1979	4.1	4.1	0

1980	4.1	4.1	0
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TOTAL	25.2	25.2	0

3) ABOVE DESCRIPTION AND EXAMPLE MAKE CLEAR, WE HOPE NEW PLAN SECURES EXACTLY THE SAME TOTAL FUNDS AS OLD ARRANGEMENT, BUT ESSENTIALLY AS A LUMP SUM DURING PERIOD APRIL-JUNE 1975, RATHER THAN AS ANNUAL PAYMENTS OVER A SIX-YEAR PERIOD. EMBASSY FULLY UNDERSTANDS DIFFICULTIES FOLLOWING EMBASSY'S EXPLANATION OF ARRANGEMENT, WHICH HAS ALSO EXISTED AT TIMES ON PART OF JAPANESE, AND REGRETS THAT EARLIER EXPLANATION IN REFB. WAS NOT CLEARER. WE WISH TO ASSURE THAT THERE IS UNDERSTANDING ON PART OF JAPANESE THAT ARRANGEMENT IS AS DESCRIBED ABOVE, AS EVIDENCED BY WRITTEN DESCRIPTION PREPARED BY MHW, IN WHICH JAPANESE AND US CONTRIBUTIONS FOR JFY 1975 ARE IDENTIFIED AS \$4.7 MILLION AND \$4.5 MILLION, RESPECTIVELY, BASED ON GOJ ESTIMATE OF \$4.2 MILLION TOTAL JFY 1975 OPERATING COSTS.

4) PRESENT STATUS OF NEW ARRANGEMENT, AS REPORTED TOKYO 15757, IS THAT GOJ, INCLUDING FINANCE MINISTER, HAS ACCEPTED APPROACH IN PRINCIPLE, BUT FONOFF STILL DRAFTING LANGUAGE TO DESCRIBE PROPOSAL IN MINUTES OF NEGOTIATING MEETING. THUS, SOME POSSIBILITY STILL EXISTS THAT GOJ WILL NOT GIVE FINAL AGREEMENT TO APPROACH.

5) AS DEPARTMENT AND AEC ARE AWARE, THE EMBASSY, AND AMBASSADOR HODGSON PERSONALLY AT A HIGH POLITICAL LEVEL, HAVE GONE TO UNUSUAL LENGTHS TO SECURE GOJ FUNDS TO OVERCOME WHAT WE UNDERSTOOD WAS AN OTHERWISE UNAVOIDABLE DEFICIT IN ABCC OPERATING FUNDS. IN TALKING PAPER PRESENTED PERSONALLY BY AMBASSADOR HODGSON TO THEN CHIEF CABINET SECRETARY MIKAIIDO, AND CLEARED BY US DEL. TO ABCC NEGOTIATIONS, AMBASSADOR STATED " . . . AND CONFIDENTIAL

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AMOUNT OF 182 MILLION YEN, . . . CANNOT BE MET FROM U.S. SOURCES". EMBASSY REPORTED NITIAL NEGATIVE RESPONSE TO THIS REQUEST (TOKYO 14805) AND REQUESTED ADVICE AS TO WHETHER EFFORTS SHOULD BE RENEWED. ON BEING INFORMED (STATE 251450) THAT "AEC BELIEVES IT IS IMPERATIVE" TO RENEW REQUEST FOR FUNDS, AMBASSAODR TOOK UNUSUAL STEP OF APPROACHING NIKAIIDO FOR SECOND TIME ON EVE OF PRESIDENT'S VISIT, ASSURING HIM THAT NEED WAS CRITICAL AND COULD NOT BE MET IN ANY OTHER FASHION. FOR US NOW TO REVERSE OUR POSITION AND INFORM GOJ THAT US IS IN FACT ABLE TO COVER THIS DEFICIT WITHOUT JAPANESE ASSISTANCE WHICH WAS EARLIER SO URGENTLY REQUESTED WOULD CLEARLY RAISE QUESTIONS AS TO CREDIBILITY OF US PRESENTATIONS.

6) DESPITE THIS FACTOR, EMBASSY WOULD BE WILLING TO HELP SEEK GRACEFUL OUT FROM SITUATION IF NEW PROPOSAL WERE FINANCIALLY

DISADVANTAGEOUS TO US. WEARE UNABLE, HOWEVER, TO PERCIEVE
ANY BASIS ON WHICH ARRANGMEENT UNDER WHICH US SECURES FUNDS
IN APRIL-JUNE 1975, WHICH IT WOULD OTHERWISE RECEIVE OVER
SIX-YEAR PERIOD, IS ANYTHING OTHER THAN IN OVERALL US INTEREST.
FOR THESE REASONS, EMBASSY REQUESTS THAT PROPOSED ARRANGEMENT
BE ALLOWED TO STAND, AND ACCEPTED BY US IF FINALLY ACCEPTED
BY GOJ.

7) CHARGE CONCURS.
HODGSON

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